



**CITY OF HUNTINGTON BEACH  
PUBLIC WORKS COMMISSION  
REQUEST FOR ACTION**

Item No. PW 09-24

**SUBMITTED TO:** Chairman McGovern and Members of the Commission

**SUBMITTED BY:** Travis K. Hopkins, PE, Director of Public Works

**DATE:** July 15, 2009

**SUBJECT:** Sewer Service Charge Adjustment for 2009/10

**Statement of Issue:** The Huntington Beach Municipal Code (HBMC) requires an annual adjustment to the Sewer Service Charge. The Commission's concurrence is requested in recommending the proposed charge for City Council approval.

**Funding Source:** Estimated service charge revenue for 2009/10 is \$10.57 million.

**Impact on Future Maintenance Costs:** The recommended reduction in the sewer service charge will result in approximately \$190,000 less revenue and subsequently fewer funds for sewer maintenance and Capital Improvements.

**Recommended Action:** Motion to recommend to the City Council the approval of the proposed sewer service charge adjustment.

**Alternative Action(s):** Do not adopt the ordinance and continue charges as currently established. This action would increase the estimated revenue by 1.8%, but could potentially conflict with Section 14.55.030 of the HBMC Annual CPIU Adjustments.

**Analysis:** In accordance with Section 14.55.030 HBMC Annual CPIU Adjustments, each Sewer Service User Charge shall be adjusted to reflect the annual percentage adjustment in the Consumer Price Index for all Urban Consumers (CPIU) in Los Angeles, Orange and Riverside Counties established by the U.S. Bureau of Labor Statistics and available as of July 1 each year.

The CPIU available as of July 1, for the month of May 2008, reflects an annual decrease of 1.8%. This will mark the first instance since the introduction of the sewer service charge that the fee will be adjusted by a negative CPIU. The percentage decrease was calculated and is included in the recommended increase to the Sewer Service User Charge effective October 2009.

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**Attachments:**

Proposed Sewer Service Charge 2009/10

Annual Sewer Service Fund Performance Audit 2008/09

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G-1<sup>3</sup>

# ATTACHMENT #1

## Proposed Sewer Service Charge Fiscal Year 2009/10

Customer Category	Charge Type	Unit	Current Charge	Proposed Charge
<b>Residential:</b> Single-family & townhouses with individual meters	Flat rate for all customers in category	per unit per month	\$10.6958	\$10.5033
<b>Apartment:</b> All apartments, mobile homes and townhouses served by common meters	Flat rate for all customers in category	per unit per month	\$8.8721	\$8.7124
<b>Regular Commercial/Industrial:</b> Most businesses, including private schools	Flat rate amount per Equivalent Dwelling Unit (EDU). EDU refers to either (1) the capacity of a customer's water meter in comparison to a standard ¾ inch meter, or (2) the number of tenant units that receive water service through the water meter, whichever is greater	per EDU per month	\$12.4129	\$12.1895
<b>High-Consumption Commercial/Industrial:</b> Businesses with high water consumption relative to their meter size	Flat rate per hundred cubic feet (HCF) of estimated sewer discharge	per HCF per year	\$2.3227	\$2.2809
<b>Public Schools:</b> All public K-8 and high school districts with schools in the City	Flat rate per student per year with a different rate per student for K-8 and for high schools  ADA - Average Daily Attendance	High School per ADA per year	\$3.4161	\$3.3546
		K-8 per ADA per year	\$2.1998	\$2.1602

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# ATTACHMENT #2

# City of Huntington Beach Public Works Department Sewer Service Fund Performance Audit *Review of Fiscal Year 2008/09*

## Introduction

On September 4, 2001, the Huntington Beach City Council adopted a Sewer Service Charge and created the Sewer Service Fund. The Sewer Service Fund revenue is designated solely for the rehabilitation, replacement, repair and maintenance of City-owned sewers and lift stations. This is in accordance with the California Health and Safety Code Section 5470, and is included in the ordinance that adds Chapter 14.54 to the Huntington Beach Municipal Code. The ordinance established the Huntington Beach Public Works Commission as both the oversight committee, and the final appeals board.

The Sewer Service Fund shall be subject to an annual review and performance audit by the Public Works Commission. The information presented in this report complies with Section 14.54.070 Annual Program Review. In addition, the City Council shall receive at a regularly scheduled meeting, the recommendations of the Public Works Commission concerning fees, rates and charges proposed to be modified or added to the sewer service user charge. A public hearing on proposed charges will be held annually in conjunction with the City's annual budget process and hearing.

## Program Overview

- Scheduled maintenance projects and minor emergency repairs will be completed within the allotted budget.
- Capital improvements included lift station design work, the sewer lining program, and the continued upgrade of the SCADA system.
- The Municipal Code states that the Consumer Price Index for Urban Consumers (CPIU) that is available July 1 shall be used to calculate rates.
- A Sewer Lateral Program was added effective January 3, 2008. The program transferred the responsibility to the City for sewer lateral repairs within the City-owned right-of-way. Fiscal year 2008/09 marks the first full year of the program.

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## **Review of 2008/09 Budget**

Personnel and operating expenditures account for approximately thirty-seven (37%) percent of the adopted 2008/09 Sewer Service Fund budget, and are directed toward preventative and routine maintenance. The budget includes salaries, sewer line maintenance, lift station services and manhole upgrades. The balance of the expense budget is earmarked for capital projects, including slip lining, pipeline rehabilitation, lift station replacements and capital equipment replacements. In general, the sewer maintenance section of the Utilities Division expends the operating and equipment replacement budgets, and the Engineering Division is responsible for the implementation of capital projects.

Sewer Lift Stations: Construction of Brighton/Shoreham is scheduled to be completed by October 2009. Construction of Edwards/Balmoral is scheduled for completion by December 2009.

Sewer Lining: Funds were budgeted for sewer lining, however, CCTV inspection once again revealed no lining candidates, which speaks to the effectiveness of recent lining and maintenance efforts. These funds were transferred to help fund the Sewer Lateral Program, which is discussed in further detail later in this report.

Warner Gravity Sewer Construction/Lift Station "D": Sewer Lift Station "D" became operational in FY 2008/09.

SCADA: Supervisory Control and Data Acquisition (SCADA) systems are utilized by both the sewer and water utilities to control and monitor remotely, the many facilities. With the Public Works Department reorganization and the creation of the new Utilities Division, upgrade of the sewer SCADA system is planned. The water SCADA system was upgraded to a spread spectrum radio and PC based control system in 2000. Work to convert the sewer SCADA to the same format and equipment standards as the water SCADA continued in FY 2008/09.

Beginning Balance 10/07	\$8,008,267
Actual Revenues 07/08	\$10,291,938
Actual Expenditures 07/08	\$ (7,662,335)
Unreserved Funds Available 10/08	\$10,637,870
Beginning Balance 10/08	\$10,637,870
Projected Revenues 08/09	\$11,192,000
Projected Expenditures 08/09	\$ (14,998,849)
Unreserved Funds Available	\$6,831,021
Projected Beginning Balance 10/09	\$6,831,021

<u>Source</u>	<b>Revenue Detail</b>	
	<u>FY 2007/08</u>	<u>FY2008/09</u>
	Actual	Projected
Customer Charges	\$9,433,392	\$10,760,000
Interest	\$387,730	\$312,000
Grants	\$170,000	\$0
Other	\$300,816	\$120,000
<b>Total</b>	<b>\$10,291,938</b>	<b>\$11,192,000</b>

Sewer Lateral Program: As presented to the Public Works Commission and the City Council, a sewer lateral program was added to the Sewer Service Fund effective January 3, 2008. Past practice placed the responsibility for maintenance of sewer laterals (the discharge line from the property to the City sewer line) entirely on the owner of the property, even for that portion of the lateral that crosses public property (from beginning of the right-of-way to the City sewer line). This has been a common practice in municipalities. However, since the majority of lateral damage is due to root damage from publicly-owned parkway trees, cities, including Huntington Beach, have typically lost any challenges to this practice, with courts opining that the City is responsible for the line within the public right-of-way.

Staff included \$1,400,000 in the FY 2008/09 budget to cover the program. However, after the first several months of the fiscal year it became evident that this would not be enough to fund the program. Funds (\$375,000) originally budgeted for sewer lining were transferred to cover costs. In addition, Council recently approved an additional \$500,000 appropriation to maintain the program through the end of the fiscal year. Staff has included \$2.26M in the 2009/10 budget submittal to operate the Sewer Lateral Program.



*Sewer Service Fund Budget  
FY 2008/09 Projected Expenditures*

<b>Personnel</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Projected</b>
Salaries, Permanent	\$1,424,982.60	\$1,424,982.60	\$1,240,000.00
Salaries, Temporary	\$46,000.00	\$46,000.00	\$30,000.00
Salaries, Overtime	\$71,070.00	\$71,070.00	\$100,000.00
Benefits	\$667,944.91	\$667,944.91	\$580,000.00
<b>Total Personnel</b>	<b>\$2,209,997.51</b>	<b>\$2,209,997.51</b>	<b>\$1,950,000.00</b>
<b>Operating</b>			
Utilities	\$168,800.00	\$169,408.48	\$120,000.00
Equipment and Supplies	\$83,730.00	\$83,730.00	\$60,000.00
Repairs and Maintenance	\$2,028,100.00	\$2,917,123.79	\$2,850,000.00
Conferences and Training	\$6,200.00	\$5,430.00	\$5,000.00
Professional Services	\$275,000.00	\$281,457.03	\$180,000.00
Other Contract Services	\$2,000.00	\$2,000.00	\$2,000.00
Rental Expense	\$13,700.00	\$13,700.00	\$14,000.00
Interdepartmental Charges	\$928,049.00	\$928,049.00	\$928,049.00
Expense Allowance	\$5,800.00	\$5,800.00	\$5,800.00
Other Expenses	\$75,000.00	\$75,000.00	\$75,000.00
<b>Total Operating</b>	<b>\$3,586,379.00</b>	<b>\$4,481,698.30</b>	<b>\$4,239,849.00</b>
<b>Capital</b>			
Improvements	\$32,000.00	\$65,384.50	\$36,000.00
Equipment	\$191,000.00	\$221,663.52	\$223,000.00
Software - Capital	\$0.00	\$25,000.00	\$25,000.00
<b>Total Capital</b>		<b>\$312,048.02</b>	<b>\$284,000.00</b>
<b>CIP</b>			
Salaries	\$365,385.38	\$365,385.38	\$118,000.00
Professional Services	\$0.00	\$46,352.89	\$68,000.00
Improvements	\$3,000,000.00	\$9,418,174.41	\$8,339,000.00
<b>Total CIP</b>	<b>\$3,365,385.38</b>	<b>\$9,829,912.68</b>	<b>\$8,525,000.00</b>
<b>Total</b>	<b>\$9,161,761.89</b>	<b>\$16,833,656.51</b>	<b>\$14,998,849.00</b>

The revised budget and projected expenditures include prior year encumbrances.  
The revised budget also includes transfers and an additional appropriation.

## 2008/09 Sewer Maintenance Activities

### Sewer Lines

- 1,180,720 linear feet of sewer pipe cleaned, projected to be 1,800,000 linear feet by year-end.
- 23,109 pounds of debris removed: projected to be 28,000 pounds of debris removed by year-end.
- Approximately 64 pounds of debris removed per mile of sewer line.
- Clean 196 chronic trouble spots/areas of sewer line maintained from twice to twelve times per year.
- Fats, Oils and Grease program investigated with C.C.T.V. camera 16 food service establishments lateral sewer lines for grease deposits going into the City's sewer system; projected to be 24 by year-end.
- Fats, Oils and Grease program has cleaned 32,400 linear feet of sewer line around food service establishments and high grease concentrations; projected to be 50,000 linear feet by year-end.
- Fats, Oils and Grease program removed 170 pounds of grease from sewer lines around food service establishments; projected to be 300 pounds removed by year-end.
- Cleaned 73,760 linear feet of arterial sewer lines; projected to be 120,000 linear feet by year-end.
- Applied root control in 24,977 linear feet of sewer line.
- New lateral sewer line repair program received 490 concerns for repair, resolved 484 concerns, projected to be 630 by year-end.

### Manholes

- Clean and inspect 7,403 manholes; projected to be 9,000 manholes by year-end.
- Approximately 16 manholes projected to be repaired and recoated by year-end.
- Sprayed insecticide for roaches in 151 manholes.
- Removed and replaced nine manhole rings.

### Sewer Lift Stations

- 28 Lift Stations inspected three times a week and cleaned every two months.
- 238 Check valves cleaned projected to be 340 by year-end.
- 21 sewer pumps taken apart and rebuilt with new parts as needed, projected to be 30 by year-end.
- 28 telemetry batteries and 2 station sump pumps installed.
- Replaced 2 transducers, 1 ventilation system and 6 starters.
- Replaced two 25 HP motors.
- 30 Sewer wet wells cleaned, projected to be 46 by year-end.
- Removed and replaced the inside coating on two lift station wet wells.
- Paint the interior walls and plumbing/piping of four sewer lift stations.
- Replaced seven ladders inside of lift stations.

### Emergency Response

- 14 sewer spills to date (11 private, 3 City).
- Seven power outages requiring the use of generators to power the lift stations.
- 610 service requests from the public during business hours.
- 42 after hours lift station alarms and failures.
- 39 after hour police call outs for miscellaneous sewer related problems.
- Made twelve emergency sewer line point repairs.

### Large Maintenance Projects FY 2008/09

- Start up and bring on line two new sewer lift stations, Sewer Lift Station 'D' and Brighton Lift Station.
- Bypass sewage to repair for leaks and recoat wet wells at Bushard and New Britain Lift Stations.
- Recoat and rebuild 16 sewer manholes.

### Sewer Lateral Program

- 392 sewer laterals repaired through May 2009.
- Estimate 588 repaired by the end of the fiscal year (9/30/09).

## Proposed FY 2009/10 Budget

### Sewer Service Charge Adjustments

In accordance with Section 14.55.030 Annual CPIU Adjustments, each Sewer Service User Charge shall be adjusted to reflect the annual percentage adjustment in Consumer Price Index for all Urban Consumers (CPIU) in Los Angeles, Orange and Riverside Counties established by the U.S. Bureau of Labor Statistics and available as of July 1 of each year. The purpose for annual adjustment of the rates is to ensure that the revenues continue to fully fund the needs of the program.

To accommodate the billing system, all service charge rates are calculated to four decimal places, and charged on a daily factor. The daily factor converts the monthly charge based on a 365-day year. This is a modification from the initially adopted rate schedule. The customer's bill reflects a charge based on the number of days between meter readings. A resolution was adopted by the City Council to authorize the daily rate methodology.

The percentage adjustment in the CPIU available as of July 1, 2009 for the month of May reflects an annual **decrease** of 1.8%. This percentage will be calculated and included as the recommended adjustment to the Sewer Service User Charge effective October 1, 2009. For purposes of comparison, the rates represent a monthly charge.

## Proposed Sewer Service Charge Fiscal Year 2009/10

Customer Category	Charge Type	Unit	Current Charge	Proposed Charge
<b>Residential:</b> Single-family & townhouses with individual meters	Flat rate for all customers in category	per unit per month	\$10.6958	\$10.5033
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<b>Regular Commercial/Industrial:</b> Most businesses, including private schools	Flat rate amount per Equivalent Dwelling Unit (EDU). EDU refers to either (1) the capacity of a customer's water meter in comparison to a standard ¾ inch meter, or (2) the number of tenant units that receive water service through the water meter, whichever is greater	per EDU per month	\$12.4129	\$12.1895
<b>High-Consumption Commercial/Industrial:</b> Businesses with high water consumption relative to their meter size	Flat rate per hundred cubic feet (HCF) of estimated sewer discharge	per HCF per year	\$2.3227	\$2.2809
<b>Public Schools:</b> All public K-8 and high school districts with schools in the City	Flat rate per student per year with a different rate per student for K-8 and for high schools  ADA - Average Daily Attendance	High School per ADA per year	\$3.4161	\$3.3546
		K-8 per ADA per year	\$2.1998	\$2.1602

**Revenue Detail FY 2009/10**

Customer Charges	\$10,570,000
Interest	\$350,000
Reimbursements	\$100,000
<b>Total</b>	<b>\$11,020,000</b>

**Sewer Service Fund Budget  
FY 2009/10 Proposed**

**Personnel**

Salaries, Permanent	\$1,458,592
Salaries, Temporary	\$69,000
Regular Overtime	\$73,202
Benefits	\$588,612

<b>Total Personnel</b>	<b>\$2,189,406</b>
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**Operating**

Utilities	\$168,800
Supplies	\$68,141
Repairs and Maintenance	\$2,822,600
Conferences and Training	\$3,930
Professional Services	\$50,000
Rental Expense	\$13,700
Cost Allocation	\$930,000
Auto Allowance	\$5,800
Contingency	\$75,000

<b>Total Operating</b>	<b>\$4,137,971</b>
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**Capital**

Sewer Improvement	\$32,000
Equip, General/Vehicles	\$100,000

<b>Total Capital</b>	<b>\$132,000</b>
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**CIP**

CIP Salaries	\$240,598
Slip Lining	\$100,000
SCADA (to operating)	\$0

<b>Total CIP</b>	<b>\$340,598</b>
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<b>TOTAL</b>	<b>\$6,799,975</b>
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***Sewer Service Fund Projected Balance Sheet***

Beginning Balance 10/09	\$6,831,021
Projected Revenues 09/10	\$11,020,000
Proposed Expenditures 09/10	(\$6,799,975)
Beginning Balance 10/10	\$11,051,046

**Capital Projects FY 2009/10**

Sewer Lining: Sewer lining in the amount of \$100,000 is programmed in FY 2009/10. A project is anticipated once sufficient sewer defects are identified as part of the CCTV inspection program.

SCADA: Programming updates to sewer SCADA system in the amount of \$50,000 are planned for FY 2009/10 and, contrary to previous and current years, these funds are included in the operating budget rather than CIP.